ADOPTING THE SINGLE CURRENCY AND THE CHANGEOVER PROCESS

Stanculescu Mimi-Florina
Academy of Economic Studies Faculty of Accounting Bucharest, Romania

Changeover will be a complex phenomenon which depends not only macroeconomic indicators, but also the social reaction, the way the environment social, consumers, unions, the population in general will be able and willing to adapt to the rigors of the euro. Adapting systems to the changeover is a complicated process that should not be underestimated, all businesses need to prepare a project with all the changes resulting from the changeover: what steps should follow the objectives and those responsible.
Legislative adjustments represented an important part of the public sector changeover preparations.
Conversion to a common currency, the euro, will not only involve economic issues, like the reduction in exchange rate risks and the increase in price transparency , but also a number of business and technical issues. Will be strategic decisions that will fundamentally affect the way an enterprise conducts its affairs,who can change the functionality that is expected from information systems.
The impact of euro conversion on retail systems reflects changes on price displays, labels, pack pricing, bar codes,psychologically sensitive price points,weighing scales, the unit pricing directive,the loss of margin on low-unit-price items,consumer information, personnel training,adapting cash registers, scanning systems,cash office management, security, the use of credit cards, and so on. Sales and purchasing price lists will have to be reviewed.
The paper structure consists of the following parts:
Convergence Methods
The Changeover and the Public Sector
The cash changeover
The five main reasons why the euro is still a strong currency
The methodology for conducting research involves analysis of the accounting measures adopted by other Member States of the Economic Monetary Union in the pre-stage and after accession, generated, especially by the changes.
The research results will have a particular importance for the economic consultancy. Even if the results will mainly target the romanian accounting system, they could be used by a broad category of the population (students economists, economists accountants, tax consultants, officers of the legislative system, etc.).
Conclusions: The research aims to identify issues that the Romanian accounting system is going to meet them as result of finalising the process of monetary integration. The paper will focus on changes in every aspect: formally, logistics, functional etc.
Keywords: the convergence, the changeover process,euro-strong currency
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The euro is the single currency shared by (currently) 17 of the European Union's Member States, which together make up the euro area. The introduction of the euro in 1999 was a major step in European integration. It has also been one of its major successes: around 330 million EU citizens now use it as their currency and enjoy its benefits, which will spread even more widely as other EU countries adopt the euro.
Apart from making travel easier, a single currency makes very good **economic** and **political** sense. The framework under which the euro is managed makes it a stable currency with low inflation and low interest rates, and encourages sound public finances. A single currency is also a logical complement to the single market which makes it more efficient. Using a single currency

increases price transparency, eliminates currency exchange costs, oils the wheels of the European economy, facilitates international trade and gives the EU a more powerful voice in the world. The size and strength of the euro area also better protect it from external economic shocks, such as unexpected oil price rises or turbulence in the currency markets. Last but not least, the euro gives the EU's citizens a tangible symbol of their European identity, of which they can be increasingly proud as the euro area expands and multiplies these benefits for its existing and future members.

Dellors plan established covering three stages to achieve transition to monetary union:

First Stage: 1 July 1990 - January 1, 1994: • full liberalization of capital movements: was made from 1July 1990.

• realignment of pairs to be less common and have been a closercoordination of monetary policies.

• What happened in that period?

The second phase: 1 January 1994 - January 1, 1999: It is a stage of transition from the European Monetary System to Monetary Unionthat has provided the following:

• Monetary policy, while still being national, were to be closelycoordinated.

• Creating a central monetary institutions to become, later, the bankCentral Europe. This institution was established as the InstituteEuropean currency, based in Frankfurt. Central banks continued tooperating in the national banks.

The third phase: 1 January 1999 (latest): Delors Report provides orientation and irrevocably fixed exchange rateseventually replace single currency.

Those countries that wish to enter the EMU must meet the convergence established in the Maastricht Agreement, as follows:

1) the average inflation rate, measured against the CPI inprevious examination, should not exceed more than 1.5 pointsaverage percentage rate of inflation in the first three countries that have registeredlowest rates of inflation;

2) long-term interest rates calculated in the previous examination notexceed by more than 2 percentage points the average interest ratesrecorded by the three European countries with the lowest interest rates;

3) public deficit ratio, defined as the ratio between state and overheadsgross domestic product (GDP) must not exceed 3%.

4) gross national debt (external), defined as the ratio between the nominal value ofexternal debt to gross domestic product later this year and should notexceed 60%;

5) is required at least two years active participation and compliance withinmargins of the exchange mechanism of the European Monetary System.

The process of building Europe is one of progressive integration. The single market for goods, services, capital and labour, launched in 1986, was a major step in this direction. Economic and Monetary Union and the euro take economic integration even further, and to join the euro area Member States must fulfil certain economic and legal conditions.

Adopting the single currency is a crucial step in a Member State's economy. Its exchange rate is irrevocably fixed and monetary policy is transferred to the hands of the European Central Bank, which conducts it independently for the entire euro area. The economic entry conditions are designed to ensure that a Member State's economy is sufficiently prepared for adoption of the single currency and can integrate smoothly into the monetary regime of the euro area without risk of disruption for the Member State or the euro area as a whole. In short, the economic entry criteria are intended to ensure economic convergence – they are known as the 'convergence criteria' (or 'Maastricht criteria') and were agreed by the EU Member States in 1991 as part of the preparations for introduction of the euro.

In addition to meeting the economic convergence criteria, a euro-area candidate country must make changes to national laws and rules, notably governing its national central bank and other monetary issues, in order to make them compatible with the Treaty. In particular, national central

banks must be independent, such that the monetary policy decided by the European Central Bank is also independent.
The Member States which were the first to adopt the euro in 1999 had to meet all these conditions. The same entry criteria apply to all countries which have since adopted the euro and all those that will in the future.
Adapting systems to the changeover is a complicated process that should not be underestimated, all businesses need to prepare a project with all the changes resulting from the changeover: what steps should follow the objectives and those responsible.
This implies: involvement of members from various areas of activity and the existence of knowledge the following areas:

- Specify the business and software are used (users and management);
- designing and developing information systems (systems analyst)
- technical aspects of information systems (programmers);
- management and accounting (accountants and auditors).

Conversion to a common currency, the euro, will not only involve economic issues, like the reduction in exchange rate risks and the increase in price transparency , but also a number of business and technical issues. Will be strategic decisions that will fundamentally affect the way an enterprise conducts its affairs,who can change the functionality that is expected from information systems.
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The changeover to the euro has three specific features:

1. New products or services may introduce new functionality. These new requirements must be managed just as in all other new projects, particularly at this difficult time for obtaining IT resources.

2. The transitional period involves handling two denominations of currency with a fixed conversion rate. There is no need to spend any more than is absolutely necessary for a transitional period. Coordinate with your trading partners to reduce this effort.

3. The conversion effort is plagued by exaggerated claims of difficulty. Don't

(be fazed by these pronouncements.- Managing Risk in Euro Currency Conversion-Cutter it journal- by Patrick O'Beirne)

The Changeover and the Public Sector
Legislative adjustments represented an important part of the public sector changeover preparations. Every country will have to implement a lawon the conversion of national currency

into euro. Although this seems to be a rather trivial task, it should not be underestimated. The question of how to round certain
amounts remains. So far, all participating Member States have defined some signal amounts (round numbers) in the legacy currency; these signal amounts are e.g. related to tax thresholds, social security payments, charges and fines or fees.
In the euro area countries, national legislation ensured correct conversion according to specified rounding rules, taking into account practicability. This step is of particular importance also for all types of official forms, stamps, public transport tickets, parking tickets or any other public services sold via vending
machines.

In turn, these forms, stamps, ticket machines and the like will have to be adapted or newly produced. Last but not least, also any references to interest payments linked to central bank interest rates must be considered (Lachs and Ritzberger-Gru‹nwald, 1998).
All these legislative adjustments have to go through specific national legal processes which probably also involve decisions made by parliament or other democratic institutions. Keeping in mind that legislative and political processes can sometimes be lengthy, the preparations of the necessary legislative adjustments are definitely among the first steps in the changeover process.

Another main preparatory task — and perhaps the most demanding for the public sector — is to adapt the whole system of public accounting and the respective IT systems to the euro. With respect to social security data, the question will also be whether all historical data will have to be changed into euro or whether data should be converted into euro only when necessary.

In Austria, as in the other participating Member States, there was a preference for the second option, which certainly represents a reasonable approach in terms of costs and time (Federal Ministry of Finance, 2000).

The public sector may take the function of a frontrunner. If the public sector switches to the euro early, this will be a positive signal and a good example to the general public. However, the public sector did not do so in most of the current euro area members. While the EU institutions switched to the euro on January
1, 1999, the national administrations in general proved to be the slowest ships in the convoy. Some administrations justified this on grounds that an early changeover might be confusing to the public.
(The Euro Changeover in the New Member States — A Preview Focus 1/05 _ ceec.oenb.at 59)

The cash changeover

The cash changeover requires thorough information and major logistical efforts, including the production of euro banknotes and coins, frontloading the new cash, promoting security and increasing storage capacities, supplying the citizens with euro cash and, last but not least, withdrawing the former national currencies.

Although most countries announced a dual circulation period of two months, the responsible authorities had the ambitious aim to complete the cash changeover within a much shorter period of time.
The cash changeover poses considerable logistical and organizational challenges and constitutes an enormous task not only for the NCBs but for all parties involved, such as commercial banks, retailers and others. In addition, after the old national currency has ceased to be legal tender, the withdrawal of old national banknotes and coins remains a challenging task.
Against this background, three periods can be distinguished within the cash changeover process:
1. the pre-changeover period
2. the actual changeover or dual period and
3. the post-changeover period

The five main reasons why the euro is still a strong currency

Here are the five main reasons in vision of Jeremy Warner- assistant editor of The Daily Telegraph-at October 24th, 2011 why the euro is still a strong currency .

"1. Internally, the eurozone is a terrible mess, with extreme imbalances of debt, trade and competitiveness, but in aggregate, it looks like a remarkably strong economy. The current account is broadly in balance, public debt and the ongoing deficit as a proportion of GDP remains well below that of the US, levels of household and private indebtedness are relatively low, and there's even a little growth, albeit fast disappearing.

2. China is attempting to diversify its foreign exchange reserves away from undue reliance on the dollar. The euro is the biggest and most obvious alternative.

3. Interest rates are higher than in the US and the UK, and there has been no quantitative easing of any significance to debauch the currency.

4. The dollar and sterling are justifiably weak. All problems are relative, and both the US and the UK still have big ones in terms of dealing with the aftermath of the financial crisis.

5. If the eurozone breaks up, forcing weaker members such as Greece to leave, you are left with a potentially much stronger core. The more "Germanic" the centre of gravity in the eurozone, the stronger the currency will be."

Conclusions:

This paper aims to determine the changes produced by joining the single currency.To achieve full economic integration, Member States should join the euro zone and harmonize their fiscal policies, including taxation,and other economic policies.The procces of implementing the single currency will deal with various problems, like: functional problems, logistics problems, formal aspects.

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